PREMIUM TOBACCO STORE PROGRAM

Source: https://www.industrydocuments.ucsf.edu/docs/xydn0000

Enhanced Tobacco Store Program

Here's How it Works...

Participation Requirements

- Signed to Retail Masters at MPL3 (Exclusivity)
- 80% in-store revenue from tobacco
- Section share target with a 10% growth objective and an 80/20 PM mix
  - New stores
    - or -
  - Stores converting

  *End of first six months achieve section share target and PM Mix (using 6MM average), one year to achieve section share target +10% (using 12MM average)

  - Share targets are capped at 49.9 (Examples attached)
- Retailer funds one-third fixture costs from merchandising payments (during first two quarters)
  - If Retailer fails to meet growth objective after one year, we reserve the right to deduct another one-third of the fixture costs (total two-thirds) or remove one-third of fixtures
  - PM retains ownership of fixtures, displays, POS, and promotions

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Premium Tobacco Store Program

Share Target Examples

Example A:
- New store opens or converts in Section 51
- Section share target = 39.9
- Section share target +10% = 43.9

Expectation:
- Store achieves a 39.9 PM share and an 80/20 PM mix at close of first six months (6MM)
- Store achieves a 43.9 PM share and maintains an 80/20 PM mix at close of and after first year (12MM)

Example B:
- New store opens in or converts Section 54
- Section share target = 49.9
- Section share target +10% = N/A because section share target is at cap

Expectation:
- Store achieves a 49.9 PM share and an 80/20 PM mix at close of first six months (6MM)
- Store maintains a 49.9 PM share and an 80/20 PM mix at close of and after first year (12MM)

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Premium Tobacco Store Program

Here's How it Works...

Summary of other contract requirements

Plan TP

- Includes all elements of Plan CT at MPL3 and:
- Retailer agrees to comply with PM planogram
- PM Premium Brands featured in "best half" of store as designated by PM
- Basic is featured as the preferred discount brand
  - All discount brands displayed in "second half" of store
- All PM signage in prime locations
  - PM occupies its fair share of available space on windows and door(s) with all of the space on the door

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Source: https://www.industrydocuments.ucsf.edu/docs/xydn0000

CT - TOBACCO STORE WITH SELF SERVICE CARTONS AND PACKS

51% of revenue is derived from the sale of tobacco products

MPL1	MPL2
A - Maintain a self service carton fixture • PM fixture on top shelf and configured correctly (location, and exclusive PM signage on PM fixture • PM fixture must be placed no fewer than 3rd shelf and consistently (location, or exclusively with 50% of the top shelf to be competitive or store owned fixtures. Where PM signage is used, PM signage must occupy no less than 50% of fixture signage B - Maintain PM USA industry pack fixture in #1 location, or store owned industry fixture with with PM brands manufactured variety of fixture(s) and Exclusive PM signage C - Maintain permanent PM promotional display at #1 self service Location(s) in store as designated by PM Rep D - Maintain Marlboro Counter Display in #1 self service location and maintain PM premium counter display in #2 or #3 self service location E - Maintain separate PM Discount Carton and Pack Fixtures/Displays with PM signage in #1 Discount location, if any present F - Maintain PM share of Floor Displays equal to PM share of retailer's sales or PM share of local market, whichever is greater G - Allocate PM brand facings equal to PM share of retailer's sales or PM share of local market, whichever is greater, for cartons and packs AND Maintain adequate distribution and inventory of PM USA brand paddings to satisfy local market demand, subject to the approval of PM USA. H - Maintain uniform bottom and side for PM USA Signage in #1 Locations (excluding signage on displays and fixtures) • Share of signage must be equal to PM share of retailer's sales or PM share of local market, whichever is greater (excluding signage on displays and fixtures) PM signage must provide PM with a visibility advantage • No competitive POS allowed in space allocated to PM USA I - Accept and display PM Consumer Promotions as requested by PM REA, and agree to submit additional inventory for shipment prior to the promotion and other PM consumer promotions to commence only, and maintain PM promotional displays and POS as required J - Submit weekly reports verifying store's cigarette sales by brand and packing by format, satisfactory to PM USA, and authorize cigarette supplier to provide PM SSR, consequent, shipment data of PM USA products to Retailer K - Distribute and ensure compliance with agreed upon plan-o-gram L - Accept PM USA new Brands as recommended by PM USA M - Keep all space allocated to PM USA on fixtures, displays, and promotions, fully stocked with appropriate PM packings. Rotate PM cartons and packs on a "first in, first out" basis and remove any unmarketable.	MPL 1 AND A - Maintain PM USA or store owned Industry Pack Fixture(s) as the only Pack Fixture(s) in the store, with PM brands merchandised on top half of fixture(s) and exclusive PM signage AND B - Maintain exclusive Self Service PM permanent promotional display at #1 self service location(s) as the only permanent promotional display(s) in the store AND C - Maintain Distribution on PM SKPF/Private Label or other Designated Brand, if any SKPFL Brand Present EXCLUSIVITY LEVEL Account Performs at MPL1 and MPL2 OR MPL1 Plus Maintains at least one PM Exclusive SS pack format, A or B, and complies with C in MPL2, with Section Director approval AND A - Maintain Exclusive PM or Retailer owned permanent Pack fixtures and displays. Excludes temporary competitive displays and price call outs. B - Exclusive consumer promotion three wrapper quoter C - Exclusive PM Permanent Signage. Includes permanent signage on fixtures/displays. Excludes competitive temporary POS. Excludes price callouts. *FLEX FUND (MPL 1)*

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Premium Tobacco Store Program

Market Rollout Plan

These markets will be eligible for expansion in 1996:

Current Penetration	Future Penetration **
California (state)	Dallas (market as defined by Nielsen)
Chicago * (market as defined by Nielsen)	Phoenix (market as defined by Nielsen)
Nevada (state)	
Oregon (state)	
Albuquerque (city limits)	

* Map enclosed

** New York office will notify the field sales force when these markets are eligible for expansion

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MARLBORO PROFITABILITY - CALIFORNIA
EVERY DAY PRICING

	Current	Proposed	Premium Tobacco Store	Comments
Marlboro Everyday Price	$16.99	$16.99	$15.99	average price in S. California
Less:				
Cost of Goods	$14.87	$14.87	$11.49	$14.87 - Price Castro retail price plus 3¢
State Tax			$3.70	California State Excise Tax
Plus:				
EPP Discount	$0.00	$0.00	$0.43	Based on EPP Discount at 2.75%
Gross Margin	$2.12	$2.12	$1.23	
PM USA PROGRAMS				
Merchandising	$0.00	$0.75	$0.46	Based on '98 PB Level 3 Exclusivity
Wholesale Payments	$0.00	$0.00	$0.22	Based on '98 Wholesale Margins Contract at full payout
				Assumes all available current purchasing practices
Promotions	$0.00	$0.00	$0.00	
Carton Profitability	$2.12	$2.87	$1.91	
Gross Profit Margin	12.5%	16.9%	12.0%	Gross Profit Margin calculation (Carton Profitability / Marlboro Everyday Price)

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MARLBORO PROFITABILITY - CALIFORNIA
PROJECTED PRICING

	Current	Proposed	Previous Tobacco Share	Comments
Marlboro Promoted Price	$16.99	$14.99	$19.99	price in Southern California 97/98
Less:				
Cost of Goods	$14.87	$14.87	$11.49	$14.87 - Price Costco Retail Selling Price plus 3¢
State Tax			$3.70	California State Excise Tax
Plus:				
EPP Discount	$0.00	$0.00	$0.43	Based on EPP Discount of 3.75% (8 Days Outing)
Gross Margin	$2.12	$0.12	($0.77)	
PM USA PROGRAMS				
Merchandising	$0.00	$0.75	$0.46	Based on '98 PM Level 3 Profitability with
Wholesale Payments	$0.00	$0.00	$0.22	Based on '98 Wholesale Margin Contract at NE payout
				Assumes all available current profitability practices
Promotions	$0.00	$2.00	$2.00	Marlboro promoted by a $2.00 price reduction through
				Flex and Event promotions 27 weeks per year (based on
				Marlboro at 50% of total PM volume)
Carton Profitability	$2.12	$2.87	$1.91	
Gross Profit Margin	12.5%	19.1%	13.7%	Gross Profit Margin calculation (Carton Profitability /
				Marlboro Everyday Price)

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PS: 1/96

REGION ONLY

Pack Accounts With SS Pack Displays (PS)
Reference Sheet

PM Volumes * (CPW)			Rate Factor	MPL 1	MPL 2	Exclusivity Payment MPL 3	FLEX ** MPL 1 & 2 Flex (Non-Exclusive)	FLEX ** MPL 3 Flex (Exclusive)
49	-	54	3	$73	$147	$155	$24	$84
55	-	77	4	$98	$194	$231	$31	$109
78	-	89	5	$109	$217	$271	$36	$126
90	-	103	6	$125	$251	$314	$42	$147
104	-	122	7	$147	$293	$367	$49	$172
123	-	146	8	$178	$349	$436	$58	$203
147	-	177	9	$210	$421	$525	$70	$245
178	-	210	10	$252	$504	$630	$84	$294
211	-	255	11	$303	$605	$755	$100	$350
256	-	304	12	$354	$727	$909	$121	$484
305	-	367	13	$354	$727	$945	$145	$509
368	-	438	14	$354	$727	$988	$174	$509
439	-	527	15	$354	$727	$1,041	$209	$792
528	-	630	16	$354	$727	$1,102	$250	$875
631	-	758	17	$354	$727	$1,177	$300	$1,050
760	-	908	18	$354	$727	$1,269	$361	$1,264
909	-	1093	19	$354	$727	$1,377	$435	$1,516
1094	-	1308	20	$354	$727	$1,507	$520	$1,820
1309	-	1573	21	$354	$727	$1,663	$623	$2,181
1574	-	1885	22	$354	$727	$1,851	$749	$2,622
1887	-	2265	23	$354	$727	$2,074	$898	$3,143
2266	-	2718	24	$354	$727	$2,344	$1,078	$3,773
2717	-	3261	25	$354	$727	$2,668	$1,294	$4,529
3262	-	3912	26	$354	$727	$3,067	$1,553	$5,436
3913	-	4695	27	$354	$727	$3,522	$1,869	$6,521
4696	-	5634	28	$354	$727	$4,081	$2,298	$7,825
5635	-	7031	29	$354	$727	$4,840	$2,742	$9,387
7032	-	7842	30	$354	$727	$5,667	$3,220	$11,270
7843	-	10007	31	$354	$727	$6,525	$3,854	$13,524
10008	-	11412	32	$354	$727	$7,833	$4,687	$16,230
11413	-	14291	35	$354	$727	$9,075	$5,564	$19,474

* PM Volume to Consumers Only
** PM Flex Funds are available Starting at MPL 1

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CT GRID

CT: 1/96

REGION : ONLY

Rev 9/26/95

Tobacco Stores with 88 Cartons and 88 Packs (TS)
Reference Sheet

PM Volume * (CPW)			Rate Factor	MPL 1	MPL 2	Exclusivity Payment MPL 3	Flex MPL 1 88 Flex (Non-Exclusive)	Flex MPL 2 Flex (Exclusive)
76	-	95	2	$111	$225	$275	$87	$130
96	-	120	3	$140	$280	$351	$47	$164
121	-	150	4	$176	$352	$441	$58	$207
151	-	190	5	$221	$443	$554	$74	$259
191	-	240	6	$280	$560	$700	$93	$329
241	-	300	7	$351	$703	$878	$117	$410
301	-	377	8	$440	$880	$1,101	$147	$518
378	-	469	9	$440	$880	$1,155	$183	$641
470	-	586	10	$440	$880	$1,322	$228	$798
587	-	733	11	$440	$880	$1,505	$285	$998
734	-	916	12	$440	$880	$1,416	$357	$1,250
917	-	1146	13	$440	$880	$1,545	$446	$1,561
1147	-	1432	14	$440	$880	$1,717	$558	$1,953
1433	-	1790	15	$440	$880	$1,926	$697	$2,440
1791	-	2238	16	$440	$880	$2,185	$872	$3,052
2239	-	2798	17	$440	$880	$2,515	$1,090	$3,816
2799	-	3497	18	$440	$880	$2,935	$1,363	$4,771
3498	-	4372	19	$440	$880	$3,456	$1,703	$5,961
4373	-	5464	20	$440	$880	$4,074	$2,129	$7,452
5465	-	6831	21	$440	$880	$4,878	$2,662	$9,317
6832	-	8538	22	$440	$880	$5,871	$3,327	$11,645
8539	-	10674	23	$440	$880	$7,115	$4,159	$14,557
10675	-	13341	24	$440	$880	$8,670	$5,199	$18,197
13342	-	16678	25	$440	$880	$10,629	$6,499	$22,747
16679	-	20847	26	$440	$880	$13,086	$8,124	$28,434
20848	+	26059	27	$440	$880	$16,113	$10,155	$35,543

* PM Volume to Consumers Only

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